

"Cold War" Report—

DULLES WEIGHS HOPES, DANGERS IN ANY "PEACE TALKS" WITH REDS

As Secretary of State Dulles takes the measure of the "cold war" now—

"Summit" meeting? U.S. is willing, but next move is up to Moscow. Action—not just words—is needed from Reds to show they are ready to talk terms.

Sputnik? It can backfire on Khrushchev.

Defense? U.S. must keep its guard up to outmatch threat of Communist imperialism.

Red China? Recognition is not ruled out forever. But it is not in prospect now.

In the following speech and answers to questions from newsmen, Mr. Dulles brings you up to the minute on U.S. foreign policy.

Following are excerpts from an address by Secretary of State John Foster Dulles at the National Press Club in Washington, Jan. 16, 1958, as prepared for delivery and authorized for publication:

I shall speak first about Sputnik. The launching of an earth satellite by the Soviets may mark a decisive turn in the world-wide struggle between Communist imperialism and the free world.

No doubt the Communist rulers gained a success. They have an opportunity to gloat, an opportunity that they have not neglected. But Sputnik, mocking the American people with its "beep beep," may go down in history as Mr. Khrushchev's boomerang.

It jolted the American people and produced a reaction which was healthy, the kind of reaction that has, in the past, served freedom well. A wave of mortification, anger and fresh determination swept the country. Out of that mood is coming a more serious appraisal of the struggle in which we are engaged and an increasing willingness to make the kind of efforts and sacrifices needed to win that struggle.

It is, of course, essential that our nation should react in the right ways. If we act like a bull in the arena which puts down its head and blindly charges the matador's red cape, that could be our undoing. Our response must be a "heads up," not a "heads down" response. We must see clearly and think straight. We must appraise accurately the strength of our adversary and also his weaknesses. We must design our own strategy to parry his strength and to exploit his weaknesses.

The assets of Communist imperialism are surely formidable. But there is no reason whatever for us to be discouraged or to think that those assets enable it to dominate the world. Communist imperialism has its weakness as well as its strength. For example:

(1) Even the most potent despotism is bound to pay some attention to the mounting demands of the people for more consumers' goods. The spectacular shifts which have occurred in Soviet leadership over the last five years are not merely struggles for power but struggles between the adherents of

different policies. We need not exclude the possibility there coming into power those who will primarily see welfare of the Soviet people and not continue to keep impaled on the sickle of Communist imperialism.

(2) Minds that are fine enough to deal with modern scientific and technical problems cannot be kept from coming to independent conclusions about other matters. The growth within the Soviet Union of a new intelligentsia is bound to affect Soviet policies.

(3) The leaders of the newly independent countries jealously to safeguard their independence. They know there are hundreds of millions within the Sino-Soviet bloc who desperately need better living conditions, and that consequently the Communist rulers would not deny better living at home and confer it abroad except to make major political gains. Therefore, the governments of the newly independent countries are wary and look for safe alternatives to Communist aid and trade.

(4) Perhaps the greatest weakness of the Soviet position is that it does not seem able to disengage itself from the burden of Germany and the suppression of the independence of the nations of Eastern Europe.

I now speak of United States policies. They are founded on confidence and realization of how formidable the resources of those who seek world domination.

United States peaceful policies, co-ordinated with policies of dependable allies, have both a defensive and an affirmative character.

(1) We will maintain a strong, balanced military power including enough ever-present and ever-alert reserves to deter Soviet aggression. The President's strong the-union message made clear that need. There seems no doubt that the Congress will respond.

(2) We propose to counter the economic threat by being harder to get the resources to do that. But, we cannot wage successfully the political-economic war that is being fought, Communist imperialism can win without gun being fired. It is vital that the newly independent and newly developing countries should find in freedom the power to lift up their own people. It is vital that the United

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building, dependent on a plentiful flow of mortgage money, declined little in December, has had only a slight gain from its low rate in first half, 1957.

Long encouragement now exists to flow of money into mortgages insured by the Federal Housing Administration. Lending institutions can now earn as much as 5 per cent on FHA mortgages, after allowing for the discount at which they may be purchased and servicing costs. That is 1.35 percentage points more than the average yield of 3.65 per cent on outstanding corporate bonds of top grade.

In 1954, when home building was lifted by a plentiful supply of credit on easy terms, lenders could earn a net of about 4 per cent on FHA mortgages, as well as on mortgages guaranteed by the Veterans' Administration. That is only 1.10 percentage points above the average yield of 2.90 per cent on top-grade corporate bonds in that year.

Presently, the response of lenders to the high yield on FHA mortgages is just beginning to be felt. Applications in December for FHA mortgages on proposed new homes ran 75 per cent ahead of a year earlier.

Need, however, is for an even larger increase in if home building is to be lifted. A appraisal requests on new homes fell to 3,501 in December, less than one-fifth of those in December, 1956. Authority to guarantee home loans to veterans of World War II expires July 1. The rise in FHA loans has not yet offset the drop in VA loans.

Problem for home builders in months ahead is the time that must elapse before lenders pour large additional sums into FHA mortgages. In 1953, about 5 months passed between the time when mortgage yields became active and the time when the flow of mortgage money rose substantially.

Finance companies, for example, are not lending money to business under commitments made months ago and are not able to add much to their mortgage purchases right away.

Commercial banks find that they need to buy more. Government securities are investing heavily in mortgages. Banks have risen to more than half of deposits, from 40 per cent in June, 1953. Government securities have risen to 29 per cent, from 36 in 1953.

Buyers are pulled one way by the terms on FHA loans, another by anxiety over layoffs, loss of time pay. Not all potential home buyers will want the loans that lenders will be ready to make.

Prospect is that buyers will feel uncertain in first half, 1958, and the flow of mortgage money will slow to start. Later in the year, home building should feel the spur of plentiful credit on easy terms.

In California...

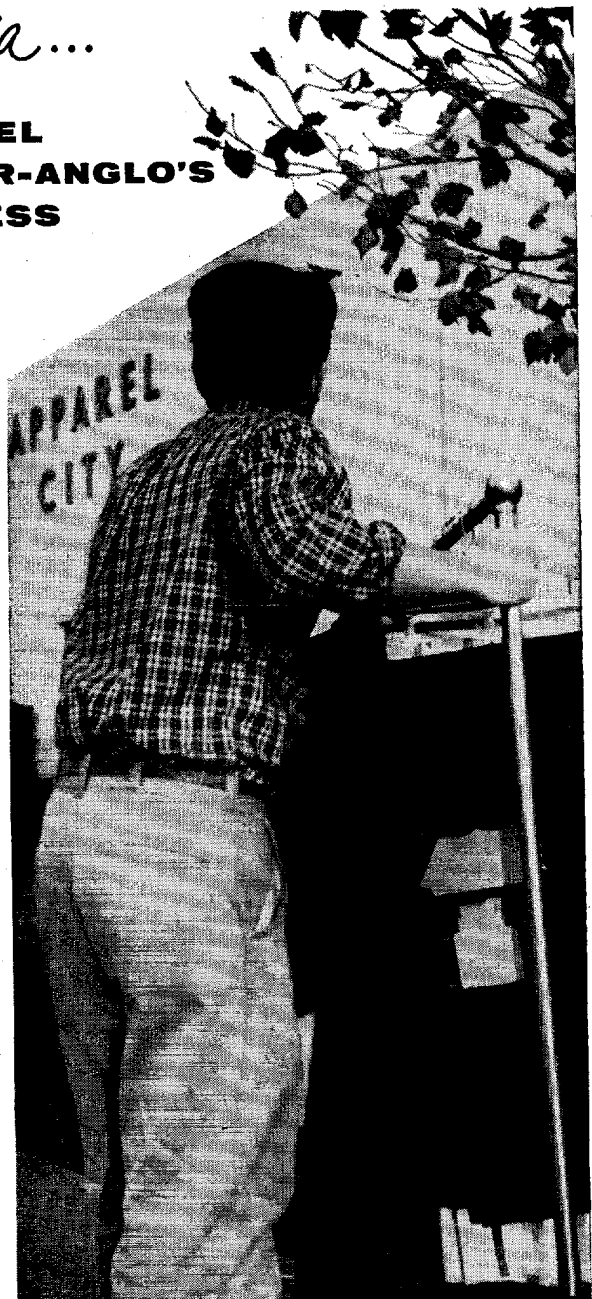
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